

**KEY
ANACON
MINES**

L I M I T E D

TWENTY-FOURTH ANNUAL REPORT

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 , 1971

KEY ANACON MINES LIMITED

BOARD OF DIRECTORS

R. J. ISAACS Islington, Ontario
W. D. MACAULAY, Q.C. Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
L. McC. RITCHIE, Q.C. Saint John, New Brunswick
G. H. WILLIAMS Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE, Q.C. President
W. D. MACAULAY, Q.C. Vice-President and Secretary
D. A. MACFARLANE Treasurer
MRS. M. JONES Assistant Secretary

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants Saint John, New Brunswick

OFFICES

HEAD OFFICE Suite 1101, 21 King Street East,
Toronto 210, Ontario
EXECUTIVE OFFICE Golden Ball Building,
Saint John, New Brunswick

KEY ANACON MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

We are pleased to submit herewith the company's annual report for the year ended December 31, 1971. As may be seen, with the exception of a write-off of deferred development and administrative expenditures, the company's position is not significantly changed from the preceding year.

The company's mining property near Bathurst, New Brunswick was maintained in good standing during the year. Base metal prices during 1971 were relatively low and accordingly, no action was taken to bring the property into production. Metal prices have improved since December 31, 1971 and the viability of the company's ore body is being re-assessed in the light of these prices. As no further geological activity has been carried out, the company's ore reserves remain unchanged from the previous year.

The company has maintained its 595,900 common shares of Brunswick Mining and Smelting Corporation Limited. In December 1971, a financial re-organization of Brunswick was approved which resulted in a rights issue for common shares in January 1972. Your company did not exercise these rights but sold them on the open market for cash. The operating results of Brunswick Mining in the first quarter of 1972 have been released and show significant improvement.

The company's loan of \$200,000 from Kent Line Limited which was due on January 22, 1972 is in the process of being re-negotiated with the holder of the note.

On behalf of the Board

L. McC. RITCHIE, President.

May 17, 1972

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

Suite 1400, Brunswick House
Saint John, N. B.

AUDITORS' REPORT

To the Shareholders of
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1971 and the statements of retained earnings (deficit), deferred development and administrative expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Saint John, N. B.
January 31, 1972

KEY ANACON MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

Current Assets	1971	1970
Cash	\$ —	\$ 13,199
Accounts receivable	230	158
Prepaid expenses	1,050	1,451
	<u>1,280</u>	<u>14,808</u>
Investment in Shares of Brunswick Mining and Smelting Corporation Limited		
595,900 Common shares at cost, less amounts written down - quoted market value \$1,698,315 (\$2,632,960 in 1970)	2,086,262	2,086,262
Fixed Assets and Deferred Expenditures		
Mining properties	66,341	82,670
Land, buildings, plant and equipment, at cost	466,895	466,895
Deferred development and administrative expenditures (note 1)	3,434,147	4,404,641
Stores and supplies, at cost	38,279	38,279
	<u>4,005,662</u>	<u>4,992,485</u>
	<u>\$ 6,093,204</u>	<u>\$ 7,093,555</u>

LIABILITIES

Current Liabilities		
Bank overdraft	\$ 29,324	\$ —
Accounts payable and accrued liabilities	47,188	13,037
	<u>76,512</u>	<u>13,037</u>
Other Liabilities (note 2)		
Bank loan	575,000	575,000
Promissory note	200,000	200,000
	<u>775,000</u>	<u>775,000</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 2)		
Authorized		
10,000,000 Common shares, par value 20 cents each		
Issued		
8,166,157 Common shares	1,633,231	1,633,231
Contributed Surplus, Premium on issue of common shares	4,462,308	4,462,308
Retained Earnings (Deficit)	(853,847)	209,979
	<u>5,241,692</u>	<u>6,305,518</u>
	<u>\$ 6,093,204</u>	<u>\$ 7,093,555</u>

Approved by the Board

L. McC. RITCHIE, Director.

D. A. MACFARLANE, Director.

KEY ANACON MINES LIMITED

STATEMENT OF RETAINED EARNINGS (DEFICIT)

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	1971	1970
Retained earnings at beginning of year	\$ 209,979	\$ 209,979
Proceeds from sale of investments previously written down	6,391	—
	<u>216,370</u>	<u>—</u>
Write off of abandoned mining claims and deferred development and administrative expenses	1,070,217	—
Retained Earnings (Deficit) at End of Year	<u>\$ (853,847)</u>	<u>\$ 209,979</u>

STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

YEAR ENDED DECEMBER 31, 1971

	Balance at beginning of year	Additions	Write offs	Balance at end of year
Development expenses	\$ 2,139,657	\$ 11,929	\$ 256	\$ 2,151,330
Administrative expenses	2,264,982	71,465	1,053,632	1,282,815
Shares in other mining companies at nominal value	2	—	—	2
	<u>\$ 4,404,641</u>	<u>\$ 83,394</u>	<u>\$ 1,053,888</u>	<u>\$ 3,434,147</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

Source of Funds	1971	1970
Promissory note	\$ —	\$ 200,000
Proceeds from sale of investments	6,391	—
	<u>6,391</u>	<u>200,000</u>
Application of Funds		
Development and administrative expenditures	83,394	134,026
Additions to fixed assets	—	189
	<u>83,394</u>	<u>134,215</u>
Increase (Decrease) in Working Capital Deficiency	77,003	(65,785)
Working Capital at Beginning of Year	1,771	64,014
Working Capital (Deficiency) at End of Year	<u>\$ (75,232)</u>	<u>\$ 1,771</u>

NOTE -- The bank loan and promissory note have not been included in the calculation of working capital.

KEY ANACON MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1971

1. DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

Development and administrative expenditures amounting to \$3,434,147 at December 31, 1971, have been deferred with the intention that they should be amortized by charges against income from future mining operations. Realization of this income is dependent on the known ore body and additional reserves which may be developed in the future becoming economic within the framework of metallurgical recoveries, metal prices and operating costs.

2. OTHER LIABILITIES

The bank loan, payable on demand, is secured by a pledge of shares of Brunswick Mining and Smelting Corporation Limited.

The promissory note bears interest at the rate of $8\frac{3}{4}\%$ and is due January 21, 1972. It is secured by a pledge of shares of Brunswick Mining and Smelting Corporation Limited, subject to the existing pledge of these shares to the bank.

The promissory note is accompanied by an option, which expires January 21, 1972, to purchase shares in the capital stock of the company up to \$200,000. The company has allocated a maximum of 444,445 shares of unissued stock for the possible exercise of the option. (see note 4)

3. OTHER STATUTORY INFORMATION

	1971	1970
Number of directors (including 1 director retired in 1970)	5	5
Aggregate remuneration of directors as directors	\$ 2,900	\$ 4,565
Number of officers (including 1 officer retired in 1970)	4	5
Number of officers who are also directors	3	3

4. SUBSEQUENT EVENTS

The option to purchase shares in the capital stock of the company has not been exercised. Payment of the promissory note has not been demanded.

AR10

**KEY ANACON MINES
LIMITED**

**INTERIM REPORT
TO SHAREHOLDERS**

Six months ended June 30, 1971

KEY ANACON MINES LIMITED

INTERIM REPORT TO SHAREHOLDERS

To the Shareholders:

We submit herewith the unaudited Statement of Source and Use of Funds of the Company for the six months ended June 30, 1971 with comparative figures for the six months ended June 30, 1970.

STATEMENT OF SOURCE AND USE OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 1971

SOURCE OF FUNDS:

	1971	1970
Proceeds from sale of investments	\$ 6,000	\$ —
Proceeds from promissory note	—	200,000
	<u>6,000</u>	<u>200,000</u>

USE OF FUNDS:

Development and administrative expenses	45,033	69,449
Purchase of equipment	—	190
	<u>45,033</u>	<u>69,639</u>
Increase (decrease) in working capital	(39,033)	130,361
Working capital (deficiency) — beginning of period	<u>1,771</u>	<u>(64,014)</u>
Working capital (deficiency) — end of period (excluding the liability for the \$200,000 8 ¾% promissory note due January 21, 1972)	<u><u>\$ (37,262)</u></u>	<u><u>\$ 66,347</u></u>

All mining properties have been kept in good standing and the Company still hold its 595,900 common shares of Brunswick Mining and Smelting Corporation Limited. The Company sold 300,000 shares of Hewbet Mines Limited for \$6,000., retaining a balance of 100,000 shares.

July 26, 1971.

L. McC. Ritchie, President